

## **Audit and Governance Committee**

**6.30pm on Tuesday, 14<sup>th</sup> March 2017  
in the Belle Vue Suite, Belle Vue Offices, Skipton**

**The Chairman (Councillor Harbron) and Councillors Barrett, Brockbank, Hull, Lis, Morrell, Place, Rose and Whitaker. Independent Person Mr G Robinson.**

### **AGENDA**

**Exclusion of the Public:** In accordance with the Council's Access to Information Procedure Rules, Members are recommended to exclude the public from the meeting during consideration of Items 7c and 8 on the grounds that it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 (relates to the financial or business affairs of any person including the Authority holding that information) of those Rules and Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

1. **Apologies for absence**
2. **Confirmation of Minutes** of meeting held on 24<sup>th</sup> January 2017. Note : A copy of the action check sheet for this meeting is also attached.
3. **Public Participation** – In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.
4. **Declarations of Interest** – All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests and whether they wish to apply the exception below.

(Note: Declarations should be in the form of:  
a "disclosable pecuniary interest" under Appendix A to the (new) Code of Conduct, and  
"other interests" under Appendix B or under Paragraph 14 where a matter arises at the meeting which relates to a financial interest of a friend, relative or close associate, in which case the Member must leave the meeting room.

[Exception: Where a member of the public has a right to speak at a meeting, a Member of Council who has a disclosable pecuniary interest has the same rights and may make representations, answer questions or give evidence, but at the conclusion of that, must then leave the room and not take part in the discussion or vote.)

***Note of Agenda Item No. and type of Interest to be Declared at this Meeting:***

5. **External Audit : Audit Strategy Memorandum 2016/17** – Report of the External Auditor. Attached.

Purpose of Item – To enable the External Auditor to present the Audit Strategy Memorandum for 2016-17.

6. **Contract Procedure Rules Exemption** – Report of the Strategic Manager Financial Services and Section 151 Officer. To follow / attached.

Purpose of Item – To report on an exemption previously presented but withdrawn at the meeting to enable a more detailed explanation to be provided.

7. **Internal Audit (a) Outstanding Internal Audit Recommendations** – Report of the Strategic Manager Financial Services and Section 151 Officer. Attached.

Purpose of Item – To update the Committee on priority one internal audit recommendations outstanding.

**(b) Draft Internal Audit Plan 2017-18** – Report of the Audit Services Manager. Attached.

Purpose of Item – To present the proposed Internal Audit Plan for 2017/18 for consideration and approval.

**§(c) Internal Audit Reports** – Reports of the Audit Services Manager. Attached.

- i. Payroll **Excluded**
- ii. Cybercrime **Excluded**

Purpose of Item – To present internal audit reports, including any which have been assigned either partial, or no assurance level status.

- §8** **Corporate Risk Register** – Report of the Strategic Manager Financial Services and Section 151 Officer. Attached. **Excluded**

Purpose of Item – To update the Committee on the corporate risk register action plan progress and changes. .

9. **Any other items** which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act, 1972.

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5<sup>th</sup> March 2017.

### **Emergency Evacuation Procedure**

In case of an emergency or if the alarm sounds, leave the meeting room and leave the building using the nearest available door. The assembly point is in the main square at the front entrance. An officer will take a roll call at that point.

Members of the Council : Please do not leave without telling the Chairman or the Democratic Services Section's representative.

## **Recording at Council Meetings**

Recording is allowed at Council, committee and sub-committee meetings which are open to the public, subject to

- (i) the recording being conducted with the full knowledge of the Chairman of the meeting; and
- (ii) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the Agenda Contact Officer (details above) prior to the start of the meeting. Any recording must be conducted openly and not disrupt proceedings.

## **Committee Terms of Reference**

### **(a) In relation to internal and external audit activities, to:**

- draw together the key components of corporate governance in relation to audit; promoting internal control, focusing audit resources and monitoring the management and performance of the providers of Internal Audit Services;
- consider the Annual Report and Opinion from Internal Audit, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements;
- consider summaries of specific internal audit reports focusing on those areas that receive 'limited assurance';
- consider a report from Internal Audit on the implementation status of agreed recommendations;
- consider the External Auditor's Annual Letter, relevant reports, plans, and report to those charged with governance;
- consider specific reports as agreed with the External Auditor;
- comment on the scope and depth of External Audit work and to ensure it gives value for money;
- liaise with the Audit Commission over the appointment of the Council's External Auditor; and
- approve the annual work programmes for Internal and External Audit and, in exceptional cases, to have the ability to commission work directly from audit providers.

### **(b) In relation to the Council's regulatory framework, to:**

- ensure the effective development and operation of corporate governance within the Council and to maintain the Council's Constitution : the Standards Committee to be consulted on the review of any codes and protocols that relate to the ethical framework;
- review issues referred to it by the Chief Executive, Director, Corporate Head or any Council body;
- approve the corporate risk management framework in accordance with the Risk Management Strategy and Policy Statement; and monitor the effective development and operation of the risk management process: make any necessary changes to the process, including any recommendations for changes to the Strategy and Policy Statement;
- monitor Council policies on 'Whistle-blowing' and the Anti-fraud and Anti-corruption strategy;
- monitor progress on implementation of Internal Audit recommendations;
- oversee the production of the authority's Statement on Internal Control and to recommend its adoption to the Policy Committee / Council;
- consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice; and
- consider the Council's compliance with its own and other published standards and

controls.

- Monitor the use of the Regulation of Investigatory Powers Act 2000.

**(c) In relation to the Council's Financial Statements / Accounts, to:**

- review and approve the annual Statement of Accounts, including whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy Committee / Council
- consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

**(d) Under Part 4 (Parishes), Chapter 3 (Reorganisation) of the Local Government and Public Health Act 2007 (and any amending legislation):**

- to be responsible for conducting community governance reviews within the District.

**AUDIT AND GOVERNANCE COMMITTEE**

24<sup>th</sup> January 2017

**Present** – The Chairman (Councillor Harbron) and Councillors Hull, Lis, Morrell, Place and Whitaker. Independent Person : Greg Robinson.

**Officers** – Chief Executive, Solicitor to the Council, Audit Services Manager, Assets and Commercial Services Manager and Committee Officer.

Apologies for absence were received from Councillors Barrett, Brockbank and Rose.

Start: 6.34pm

Finish: 7.03pm

The minutes of the Committee's meeting held on 15<sup>th</sup> November 2016 were confirmed and signed by the Chairman.

**EXCLUSION OF THE PUBLIC**

**Resolved** – That, in accordance with the Council's Access to Information Procedure Rules, the public is excluded from the meeting during consideration of Minute AC.275(b), (marked \$) below on the grounds that it is not in the public interest to disclose the Category 3 exempt information (financial or business affairs of any particular person including the Council).

**Minutes for Report**

AC.274

**EXTERNAL AUDIT – CLAIM CERTIFICATION**

Further to Minute AC.251/15-16, the External Auditors submitted their annual report regarding certification of the Council's housing benefit subsidy return for 2015/16. Testing carried out had identified errors totalling £549 on a total grant claim amounting to £9,554,245; following amendment by the Council the return had been certified without qualification in accordance with audit practice.

The final fee for the certification work had amounted to £7,060.

**Resolved** – That the External Auditor's report in respect of certification of the Council's grant claim for 2015/16 is received.

AC.275

**INTERNAL AUDIT**

(a) Internal Audit Plan 2016-17 : Progress Report

Further to Minute AC.270(b)/16-17, the Audit Services Manager submitted a report updating the Committee on progress made against the 2016/17 Internal Audit Plan in the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> December 2016. As at 31<sup>st</sup> December, a total of 155 of the approved 250 audit days within the plan, had been spent; two of the planned eleven audits had yet to start. There were no concerns regarding delivery of the Plan.

**Resolved** – That the content of the Audit Services Manager's progress report is noted.

**\$b. Internal Audit Reports**

The Internal Audit Services Manager presented copies of the audit reports listed below, which had been commissioned as part of the 2016/17 Internal Audit Plan.

- Disabled Facilities Grants : Level of Assurance : Significant
- \$Garden Waste Collection : Level of Assurance : Good

In commenting on the audit report in respect of disabled facilities grants the Audit Services Manager pointed out that the auditor had found significant controls in place, and the Garden Waste Service had adequate segregation of duties and a number of positive procedures in place.

**Resolved** – That the reports of the Internal Auditor now presented are received and that implementation of any outstanding recommendations therein are monitored through the arrangements approved at Minute AC.138(a)/12-13.

AC.276

**CONTRACT PROCUREMENT – LOCAL FRAMEWORK AGREEMENT**

The Director of Services submitted a report informing the Committee of the intention to develop a local framework agreement for the procurement of contractors to undertake building construction and small development works within Craven.

Having experienced difficulties in tendering a contract for the construction of a pilot shared ownership scheme for three dwellings using the regional Yorbuild Construction Framework, the intention was to seek to establish a local framework agreement comprised of at least six local contractors to, in the first instance, take forward delivery of the Council's shared ownership housing programme. The above experience with the Yorbuild Framework had demonstrated that large regional developers were increasingly not tendering for smaller schemes, and those that did were likely to include a premium for travelling to more remote parts of the region. The pilot shared ownership scheme had subsequently been successfully re-tendered using an open tender process, with two local contractors amongst the tenderers.

A benefit likely to be derived from a local framework included reduced lead in times compared to open tendering, with fair and reasonable rates and prices. Effectively it would also result in the majority of investment being retained within or neighbouring the District.

**Resolved** – That the Director's report is noted and that a further report is presented to a future meeting of this Committee outlining progress in the development of the Local Framework Agreement.

AC.277

**CONTRACT PROCEDURE RULES - EXEMPTION**

Further to Minute AC.262/16-17, the Strategic Manager for Financial Services submitted a report presenting a summary of exemptions granted from the Council's Contract Procedure Rules in the period July to December 2016. Just one exemption involving the supply of safety equipment for refuse collection vehicles had been granted in the period.

**Resolved** – That the exemption granted from the Council's Contract Procedure Rules is noted.

AC.278

**REGULATION OF INVESTIGATORY POWERS ACT**

Further to Minute AC.263/16-17, the Solicitor to the Council submitted a report informing the Committee of the Council's use of covert surveillance under the Regulation of Investigatory Powers

Act 2000 in the six month period from June 2016. No covert surveillance had been authorised in the period.

**Resolved** – That the Solicitor’s report is noted.

AC.279                    **COUNTER FRAUD ASSESSMENT AUDIT – ACTION PLAN**

Further to Minute AC.270(c)/16-17, the Strategic Manager for Financial Services submitted a report presenting an action plan aimed at addressing issues identified in the internal audit review of the Council’s counter fraud and corruption arrangements.

Members were reminded that the Council’s arrangements had been assessed against the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption published in December 2014. Assessment against the Code of Practice had been entirely voluntary and the action plan would ensure that those areas assessed as needing improvement or procedures to comply with the Code were addressed.

**Resolved** – (1) That the proposals within the counter fraud assessment action plan, as now submitted, are noted.

(2) That the timetable for delivery of the remedial actions within the action plan is noted, and that progress against that plan is reported to this Committee in March 2018.

**Minutes for Decision**

AC.280                    **APPOINTMENT OF INDEPENDENT MEMBER**

Further to Minute CL.819/14-15, the Strategic Manager for Financial Services submitted a report seeking agreement to the re-appointment of Mr Greg Robinson as the Committee’s co-opted independent member. The existing fixed term arrangement was due to expire in May 2017.

In responding to a request for feedback on whether the appointment of an independent member should continue beyond the initial term, Members had indicated that they believed the role should be retained, it having assisted them with their duties as members of the Committee and added value to its work. Members of the Committee had also indicated that if Mr Robinson was prepared to serve another term they would wish to recommend to Council that he be reappointed.

It was understood that Mr Robinson was prepared to serve a further term should that be Members’ wish.

**RECOMMENDED** – (1) That the role of co-opted Independent Member of the Audit and Governance Committee is continued.

(2) That Mr Greg Robinson is re-appointed as the Independent Member of the Audit and Governance Committee in a non-voting capacity for a period of three years commencing from May 2017.

(3) That the position continue to be unremunerated with the exception of travel and subsistence allowances as laid down in the Scheme of Members’ Allowances.

Craven District Council

Note : Mr Robinson left the room taking no part in the Committee's consideration of the Strategic Manager's report.

Chairman.



# Audit Strategy Memorandum

Craven District Council



For the year ended 31 March 2017



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# Executive summary

## Purpose of this report

The Audit Strategy Memorandum sets out our audit plan in respect of the audit of Craven District Council ('the Council') for the year ending 31 March 2017, and forms the basis for discussion at the Audit and Governance Committee meeting on 14 March 2017.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process. We have determined that the Audit and Governance Committee is those charged with governance for the purpose of our audit.

<b>Timing of our work</b>	<p>Our audit will be delivered in four main phases as outlined in page 4 of this report. The statutory deadline for the completion of our audit work is 29 September 2017.</p>
<b>Financial Statements audit</b>	<p><b>Significant risks</b></p> <p>We have identified the following areas on which we will carry out specific audit procedures to mitigate the risks of material misstatements in the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• management override of controls; and</li> <li>• valuation of the defined benefit pension scheme.</li> </ul> <p><b>Materiality</b></p> <p>At the planning stage of the audit we have set materiality for the financial statements as a whole at £474k. In reporting the results of our work we do not report identified misstatements below a clearly trivial level. We have set this level at £14k.</p>
<b>Value for Money conclusion</b>	<p>The work we carry out to form a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources is summarised on page 9. We have identified the following significant risk in respect of our VFM work:</p> <p>The level of savings the Council needs to achieve over the period of its Medium Term Financial Plan ("MTFP") represents a significant risk to the sustainable resource deployment criteria.</p>
<b>Independence</b>	<p>We have considered any actual, potential or perceived threats to our independence on page 14. We have not identified any such threats at this stage of the audit.</p>

# Audit scope and approach

## **The scope of our work**

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ('the 2014 Act') and are summarised below.

### Opinion on the financial statements

We are responsible for forming and expressing an opinion on the financial statements. Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities.

### Value for Money conclusion

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our Value for Money work in greater detail later in this report.

### Whole of Government Accounts (WGA)

We report to the NAO on the consistency of the Council's financial statements with its WGA submission.

### Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts by an elector. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

## **Our response to the risk of fraud**

International Standards on Auditing (ISAs) require us to obtain reasonable assurance that the financial statements are free from material fraud and/or error. There are a range of ways in which fraud may arise in the context of your financial statements and we formally consider the risk of fraud as part of our planning work and design appropriate procedures to mitigate risks identified. We maintain an appropriate level of professional scepticism throughout the audit and are mindful that a material misstatement due to fraud is possible, however our audit should not be relied upon to identify all such misstatements.

Management and the Audit and Governance Committee, as those charged with governance also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

Our enquiries will focus on:

- what role the Audit and Governance Committee has in relation to fraud and how it is kept informed of fraud related matters by management;
- what anti-fraud measures you have in place and how your policies and procedures are monitored; and
- whether you are aware of any actual, alleged or suspected fraud.

We will formally write to you, in your role as those charged with governance, making the enquiries above, towards the end of the audit cycle.

### **Our approach to obtaining assurance over service organisations**

There are material entries in your financial statements where the Council is dependent on an external organisation. We call these entities service organisations. In Appendix A, we outline our approach to understanding the services received from the organisation and the approach we intend to take to obtain sufficient appropriate evidence over items of account that derive from them.

### **Our use of experts and other auditors**

#### Management and auditor experts

There are material entries in your financial statements which are provided by management experts. For some of these entries, we will use our own expert to provide us with the assurance we require in relation to the work of your expert.

In addition to setting out information in respect of service organisations, Appendix A also summarises management's experts and our planned audit approach to obtaining assurance over their work.

#### Other auditors

In previous years, we have sought to rely on assurances provided by the auditor of the North Yorkshire Pension Fund (KPMG) in relation to the Council's pension disclosures. Going forward we will be seeking to reduce or eliminate the need for such assurances, by performing additional procedures as part of our audit. However, we have identified that this year we will need to seek some assurances in relation to the data used in the recent triennial revaluation of the fund.

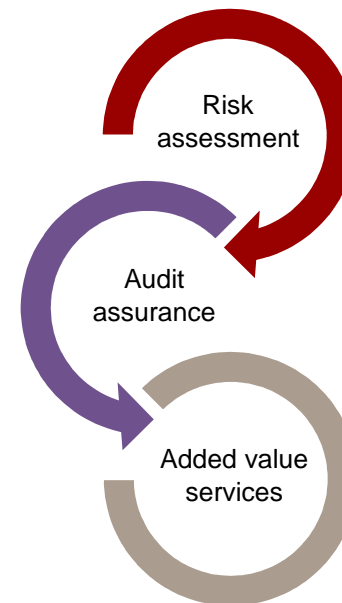
#### Internal audit

Where appropriate, we will seek to rely on work performed by internal audit where it provides us with the required assurance. We will meet with internal audit to discuss their work programme and findings, and factor this in when determining the most efficient testing strategy.

Where we intend to rely on the work of internal audit, we will evaluate their work and perform our own audit procedures to determine its adequacy for our audit.

### **Audit efficiency and our use of IT**

Innovative and integrated use of IT drives the efficiency and effectiveness of our audit. Your audit team uses the latest IT-based audit solutions and is supported by a team of IT auditors each of who have extensive knowledge of the public sector and providing assurance and advisory services across the public sector.



We know that all organisations are different and face different risks. Our audit platform is modern and flexible and allows us to tailor our audit approach to the specific risks relevant to the Council, while ensuring compliance with underlying auditing standards.

We focus on the risks to your business continuity and those that give rise to a risk of material misstatement in the financial statements. Your audit team has access to a full suite of data analytics tools which allow them to determine the most effective and efficient testing strategy using IT-audit techniques where appropriate.

# Significant risks and key judgements

## Identified significant risks

As part of our planning procedures we have considered whether there are risks of material misstatement in the Council's financial statements that require special audit consideration. Although we report identified significant risks at the planning stage of the audit, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to mitigate these risks. Where we identify any significant risks in addition to those set out below, we will report these to the Audit and Governance Committee as part of our Audit Completion Report.

Significant risk	How we will mitigate the risk
<p><b>Management override of control</b></p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We will address this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> <li>• consideration and review of accounting estimates impacting on amounts included in the financial statements;</li> <li>• consideration and review of any unusual or significant transactions outside the normal course of business; and</li> <li>• testing journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>
<p><b>Pension Entries</b></p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will:</p> <ul style="list-style-type: none"> <li>• evaluate the management controls in place to assess the reasonableness of the figures provided by the Actuary; and</li> <li>• consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.</li> </ul>

### Management judgement

We recognise that within your financial statements there are specific accounting transactions and disclosures where management has exercised judgement. We consider these areas require specific audit focus and the area that we consider to be the key area of judgement is set out in the following table together with our planned audit approach.

Area of Key Judgement	How we will address this area of judgement
<p><b>Valuation of Property, Plant and Equipment (PPE)</b></p> <p>Accounting standards and CIPFA's Code of Practice on Local Authority Accounting require that all property, plant and equipment (PPE) are carried at fair value on the Council's Balance Sheet. PPE must be revalued regularly and impairment reviews completed. There is also the requirement that PPE is depreciated, unless there is a specific exception.</p> <p>The value of the Council's PPE is material to the accounts and involve management judgements over the valuations and useful lives of assets.</p>	<p>We will evaluate the design and implementation of controls in respect of depreciation, revaluations and impairments as part of our walkthrough of the property, plant and equipment system.</p> <p>In addition, we will undertake a range of substantive procedures including:</p> <ul style="list-style-type: none"><li>• substantive sample testing of depreciation, revaluations and impairments per the disclosure note to the financial statements;</li><li>• review and evaluation of the work of the external valuer, including the valuer's report; and</li><li>• consideration of regional valuation trends.</li></ul>

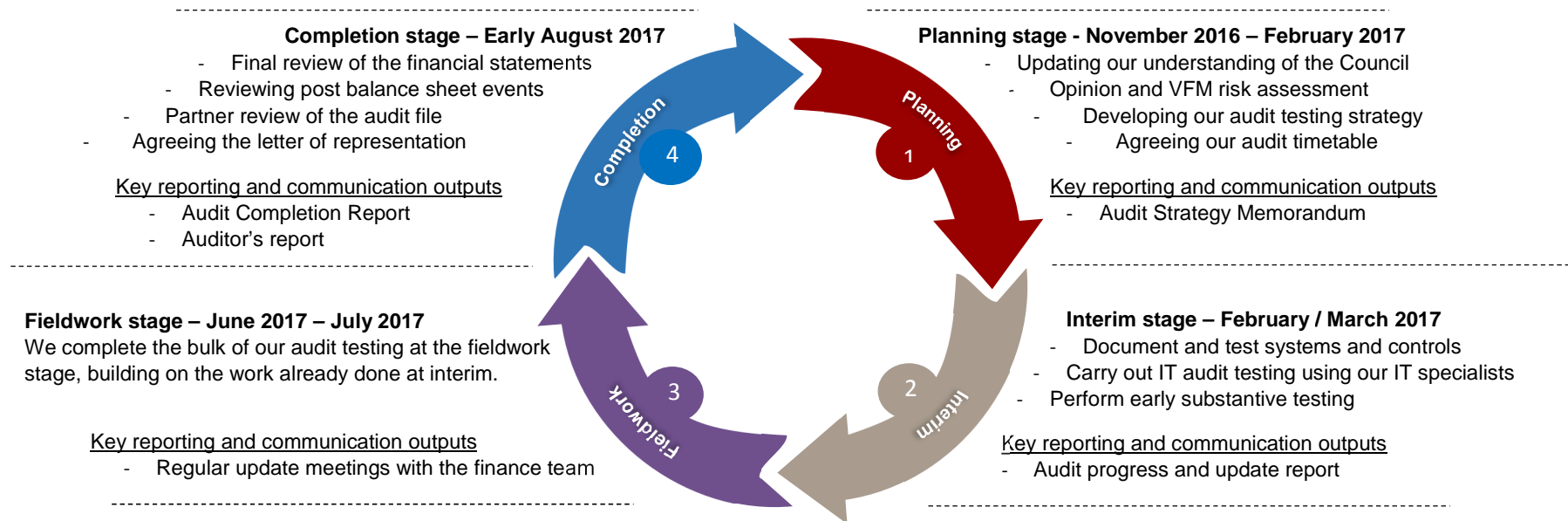
# Timetable and communication

## Our approach to communication

International Standards on Auditing require us to communicate a number of matters with you at various points during the audit cycle. Later in this section we outline exactly how we will communicate with the Audit and Governance Committee as those charged with governance. As well as being an integral part of our responsibilities under auditing standards, we see two-way communication with the Audit and Governance Committee and the Council's staff as being critical to building a robust knowledge of your business, the risks and challenges you face and the plans you have in place to meet those challenges.

## Audit timetable

The diagram below outlines the main phases of your audit, when each will be carried out and the outputs that you will receive at each stage. This is underpinned by a 'no surprises' approach to communication that ensures management and the Audit and Governance Committee are kept aware of significant issues on a timely basis. We intend to issue our Audit Strategy Memorandum in March 2017, our Audit Completion Report in July 2017 and our Annual Audit Letter in September 2017.





### Key communication points

ISA 260 'Communication with those charged with governance' and ISA 265 'Communicating deficiencies in internal control to those charged with governance and management', require us to communicate a number of matters to you. These matters are set out below.

Matter to be communicated	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Confirmation of our independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Conclusions on the significant audit risks and areas of management judgement		✓
Summary of unadjusted misstatements		✓
Management representation letter		✓
Our proposed audit report		✓

In addition to the matters outlined above which we are required to communicate under auditing standards, we also communicate regularly with the Audit and Governance Committee through our attendance at the meetings during the year. We also report to the Council on an annual basis to summarise our work and main conclusions through our Annual Audit Letter.

# Value for Money Conclusion

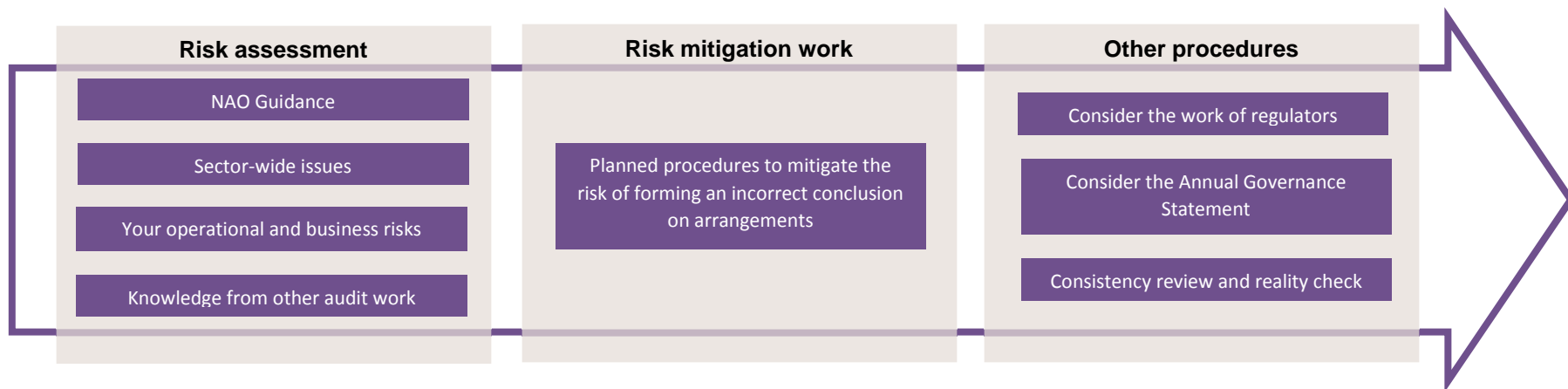
## Our approach to Value for Money work

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are provided set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below.



## Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a risk to the VFM conclusion exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For 2016/17, we have identified a risk for our VFM conclusion. A summary of the risk and the work we intend to undertake to ensure we reach the correct conclusion is set out in the following table.

Value for Money conclusion risk	How we will address this risk
<p><b>Level of savings required</b></p> <p>The Council is facing continued decreases in central government funding. The Council's Medium Term Financial Plan (MTFP) shows that savings of £585k are required in 2018/19 with further savings of £545k in 2019/20 also being necessary. Whilst the Council has a good record of achieving savings it is acknowledged further savings are likely to be difficult to achieve.</p> <p>The level of savings the Council needs to achieve over the period of its MTFP represents a significant risk to the sustainable resource deployment criteria in our value for money conclusion.</p>	<p>In accordance with the guidance issued by the NAO for 2016/17, we will undertake a programme of work that allows us to conclude whether the Council has arrangements in place to identify and deliver the required cost savings as set out in its MTFP. This programme of work will include a review of:</p> <ul style="list-style-type: none"> <li>• the Medium Term Financial Plan and the reasonableness of the assumptions that underpin it;</li> <li>• the arrangements in place to deliver the overall budget in 2016/17; and</li> <li>• arrangements in place to identify, evaluate, risk assess and deliver future savings plans.</li> </ul>

# Fees

## **Fees for work as the Council's appointed auditor**

At this stage of the audit we are not planning any divergence from the scale fees set by Public Sector Audit Appointments Ltd (PSAA) as communicated to you in our fee letter on 11 April 2016.

Area of work	2016/17 proposed fee	2015/16 final fee
Code audit work	£45,819	£45,819
Housing Benefit Subsidy certification	£9,503	£9,503

## **Fees for non-PSAA work**

We have not performed any additional work outside the scope of our PSAA contract.

# Our team



**Partner name** – Mark Kirkham

**Email:** Mark.Kirkham@Mazars.co.uk

**Phone:** +44 (0)113 387 8850

**Bio:** Mark has been a partner at Mazars since 2015 and prior to that he had been an engagement lead since 2002. Mark has extensive experience in a number of sectors and although this is his first year as the engagement lead for the Craven District Council audit, he acted as the Council's District Auditor from 2002 to 2008.



**Manager name** – Nicola Hallas

**Email:** Nicola.Hallas@Mazars.co.uk

**Phone:** +44 (0)7881 283 559

**Bio:** Nicola is an audit manager with over 10 years' public sector audit experience. She has been involved with the Craven District Council audit for a number of years with 2016/17 being her second year as the audit manager.



**Team-leader name** – Dan Spiller

**Email:** Dan.Spiller@Mazars.co.uk

**Phone:** +44 (0)7881 284 012

**Bio:** Dan gained his CIPFA qualification in 2014, joining Mazars 18 months later. He has led audit teams on a wide range of clients including large district and metropolitan borough councils. Dan also has experience in the housing, charity and education sectors.

# Appendix A – Service organisations and experts

## Service organisations

We have reviewed all partnership and joint working arrangements that are in place at the council and determined that there are currently no service organisations performing key financial functions for the council.

## Experts

The Council also uses experts to provide entries in its financial statements. The table below outlines the areas of the financial statements where we expect the Council to use experts and an explanation of the approach we will take to obtaining assurance over those entries.

Financial statement area	Management's expert	Planned audit approach
Property, Plant and Equipment	Eddison's	We shall assess the reasonableness and consistency of the valuer's report by comparison with our own (via NAO) appointed expert - Gerald Eve.
Financial Instruments	Capita	We shall evaluate the results and information provided by the expert and compare with our own (via NAO) appointed expert – Capita.
Aon Hewitt	Disclosures relating to the Local Government Pension Scheme.	We shall evaluate the results and information provided by the expert and compare with our own (via NAO) appointed expert – PWC and our own in-house pension specialists.

# Appendix B – Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing, that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you, and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement, there are no relationships between us, and any of our related or subsidiary entities, and you, and your related entities, creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with either Mark Kirkham or Nicola Hallas.

Prior to the provision of any non-audit services, Partner name will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. No threats to our independence have been identified / the following table outlines the potential threats to our independence and the safeguards put in place.

# Appendix C - Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit.

Whilst planning our audit, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.



# Appendix D – Our added value

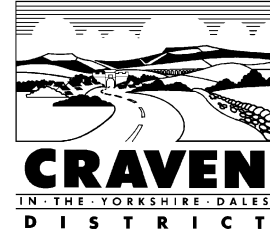
Our primary responsibilities as the Council's external auditor are outlined in the main body of this report. As your external auditor we are ideally placed to provide added value in delivering those responsibilities and the diagram below provides a summary of how we do this.



## Audit and Governance Committee

14<sup>th</sup> March 2017

### Exemptions Granted Under Contract Procedure Rules



#### Report of the Strategic Manager Financial Services

Ward(s) affected: All

1. **Purpose of Report** – To report a previously granted exemption in addition to the report presented in January 2017, and in line with the Council’s Contract Procedure Rules, from the period January 2016 to June 2016.
2. **Recommendations** –
  - 2.1. Members are requested to note the exemption granted from the Council’s Contract Procedure Rules.
3. **Exemptions Granted**
  - 3.1. Under the Contract Procedure Rules it is recognised that under certain circumstances there are occasions when it appropriate not to seek tenders or quotations provided that an alternative method of selection can demonstrate value for money. On other occasions quotations are sought but insufficient responses are received.
  - 3.2. Under CPR 6.2 of the Contract Procedure Rules there are a number of circumstances in which a responsible officer may seek exemption from the normal procedures.
  - 3.3. The responsible officer seeking an exemption must obtain the prior approval of the Solicitor to the Council and Monitoring Officer and the Chief Financial Officer. The exemptions granted must then be reported to Audit & Governance Committee.
  - 3.4. In the six month period January 2016 to June 2016 there had been one further exemption granted. A summary of the exemption can be found at Appendix A and Members are requested to note the exemption.
4. **Financial Implications** – There are no financial implications associated with this report.

5. **Legal Implications** – None.

6. **Contribution to Corporate Priorities**

Procurement contributes to Council Priority Financial Sustainability by ensuring all services and products required deliver value for money.

7. **Risk Management** – There are no risks arising as a direct result of this report.

8. **Consultations with Others** – None.

9. **Access to Information: Background Documents** – Exemption Forms

10. **Author of the Report** – Matt Butterworth

Tel No: 01756 7046367

E-mail: [mbutterworth@cravendc.co.uk](mailto:mbutterworth@cravendc.co.uk)

11. **Appendices**

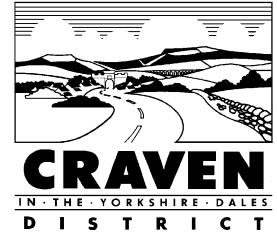
Appendix A - Summary of Exemptions granted from tendering under CPR 6.2 of Craven District Council's Contract Procedure Rules

**Summary of Exemptions granted from tendering under CPR 6.2 of Craven District Council's Contract Procedure Rules****January 2016 to June 2016**

Number	Date	Description	value	Exemption
1	01/04/2016	Continued appointment of Health and Safety Advisory Services	£33,600	6.2 (a) 6.2 (d) & 6.2 (e) The only one provider is able to carry out the work for technical reasons while the goods are required as partial replacement for or in addition to existing goods/services or installations. Procurement of another other than the original contractor would result in disruption in consistent delivery of services.

## Audit & Governance Committee – 14 March 2017

# Internal Audit – Implementation of Recommendations



Report of the Corporate Head, Financial Management

Ward(s) affected: All

- 1 **Purpose of Report** – To update committee members on priority one internal audit recommendations outstanding and those completed in the period.
- 2 **Recommendations** – Members are recommended to:
  - 2.1 Note the contents of Appendix A – Outstanding Priority One Internal Audit Recommendations and consider inviting responsible officers to the next meeting where appropriate.
  - 2.2 Note the contents of Appendix B – Audit Recommendations Completed in the Period and approve the contents of that Appendix. Recommendations will not be archived before this approval is received together with that of the Audit Services Manager, Shared Audit Service.
- 3 **Implications**
  - 3.1 **Financial and Value for Money (vfm) Implications** – as highlighted for individual recommendations in Internal Audit Reports
  - 3.2 **Legal Implications** - none
  - 3.3 **Contribution to Council Priorities** – not applicable
  - 3.4 **Risk Management** – as highlighted for individual recommendations in Internal Audit Reports
  - 3.5 **Equality Analysis** – not applicable
- 4 **Consultations with Others**

Senior Managers/Action Owners
- 5 **Access to Information: Background Documents**

None
- 6 **Author of the Report**

Rebecca Steel, Performance Management Officer  
Telephone: 01756 706215  
e-mail: rsteel@cravenc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.
- 7 **Appendices** –

Appendix A – Outstanding Priority One Internal Audit Recommendations  
Appendix B – Audit Recommendations Completed in the Period

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**Appendix A – Outstanding Priority One Internal Audit Recommendations**

Priority 1 Recommendations relate to significant gaps in the Internal Control Framework.  
Recommendations are included where the original completion date was prior to March 2017.

Source Report	Recommendation Name	Original Target Date	Service Area	Status		Latest Update	Updated by	Date
C4 08 - Data Protection 2013/14 - Priority 1 C5 08 - ICT Review of Outstanding Actions - Priority 1	IA 16/17 157 A clearly owned information asset inventory should be developed and maintained. Once developed, identified information asset owners should ensure that risks and opportunities are monitored	C4 08 Data Protection - Aug 2014 C5 08 ICT Review of Outstanding Actions - Apr/Sep 2015 A&G Nov 15 - Dec 2015	ICT	Amber		Further work has been undertaken to develop the inventory and it is now anticipated that this will be completed by 31 March 2017.	DRN	22/01/17
C6 01 - Building Control - Priority 1	IA 16/17 227 A replacement for the Fast Control system should be timetabled for implementation as soon as possible	C6 01 - Feb 2016	Planning & Building Control	Amber		The procurement for a single solution for Planning, Building Control, Environmental Health, Licensing & Waste Management has been completed. Implementation is planned to start in January 2017 and system to be implemented for all services by December 2017.	DM	26/01/17
C6 04 - Bereavement Services - Priority 1	IA 16/17 245 Access levels should be set up on the BACAS system	C6 04 - Jan 2016	Bereavement Services	Amber		All staff need to have the ability to amend data entries and raise credit notes due to the small size of the team. Checks are now in place for raised credit notes and weekly reconciliations are being undertaken. All changes on the Bacas system produce an audit trail, however, additional scripts need to be run to allow the security elements to be activated. Once this has been achieved staff security levels will be reassessed and reset to appropriate levels.	MB	18/01/17

Source Report	Recommendation Name	Original Target Date	Service Area	Status		Latest Update	Updated by	Date
C6 08 - Physical Security of ICT Equipment and Data - Priority 1	IA 16/17 256 There should be appropriate arrangements put in place to ensure that the Belle Vue Square ground floor alarm is set in any absence of the Caretaker	C6 08 - Mar 2016	Property Services	Green		The Council has a number of alarms from different suppliers across its property portfolio. The intention is to rationalise them. In the interim a meeting with the BVS alarm company has been arranged and an order placed to alarm the Registrars Zone whilst a practicable solution is sought to keep flexibility of access in other areas. PO issued for additional alarm for ground floor of BVS. New alarm as per above now installed and operational. New zones within the ground floor are now in place and sufficient staff are trained to set the alarms.	IH	05/01/17
C6 08 - Physical Security of ICT Equipment and Data - Priority 1	IA 16/17 257 Cabinets containing personal data should be locked at night	C6 08 - Aug 2016	ICT	Green		CLT have agreed that this should be implemented immediately and staff have been advised of this requirement. Compliance checks will be carried out.	DRN	22/01/17
C6 08 - Physical Security of ICT Equipment and Data - Priority 1	IA 16/17 259 Arrangements should be made to ensure that any data of a personal and/or sensitive nature held in the chapel office is stored securely	C6 08 - Aug 2016	Bereavement Services	Green		VDU screens have been relocated so they cannot be seen by from the visitor area of the office. Two lockable storage cabinets have been purchased and all documentation is now securely stored.	MB	18/01/17
C6 08 - Physical Security of ICT Equipment and Data - Priority 1	IA 16/17 263 The security and condition of the Engine Shed Lane archive store should be assessed in terms of its adequacy for data storage and appropriate action taken	C6 08 - Mar 2016	ICT	Amber		A review of the security and associated issues in relation to the archive store has been completed. Improvements are being implemented, and a separate report was provided to the Audit and Governance Committee meeting to be held on 15 November 2016. A digitising solution is currently being investigated. It is anticipated that this recommendation will be implemented by 31st March 2017.	DRN	22/01/17



Source Report	Recommendation Name	Original Target Date	Service Area	Status		Latest Update	Updated by	Date
C6 12 - Treasury Management- Priority 1	IA 16/17 282 Ensure that the TMP and the TMSS provide standards and guidance for the investment of Council funds and that both agree with one another / Ensure that all investments undertaken are in accordance with the financial institution criteria set out in the TMSS and the TMP	C6 12 - Apr 2016	Financial Management	Green		TMP and TMSS corrected for the inconsistencies in April 2016. Completed	NC	13/01/17
C5 03 - Counter Fraud & Corruption Arrangements - Priority 1	IA 16/17 284 CLT and Audit and Governance Committee should determine the level of compliance to the CIPFA Fraud Code of Practice that is appropriate for Craven District Council to adequately and proactively address its fraud and corruption risks.	C5 03 - Jul 2016	Financial Management	Amber		Action Plan including proposals for acceptable level of performance scheduled for Audit & Governance Committee on 24 January 2017	NC	13/01/17
C5 03 - Counter Fraud & Corruption Arrangements - Priority 1	IA 16/17 285 The actions identified in the assessment should be used to form an agreed action plan to address the gaps in current counter fraud and corruption arrangements and drive a strong anti-fraud and corruption culture from a corporate to operational level.	C5 03 - Aug 2016	Financial Management	Amber		Action Plan drafted to be presented to Audit & Governance Committee on 24 January	NC	13/01/17

## Appendix B – Audit Recommendations Completed in the Period

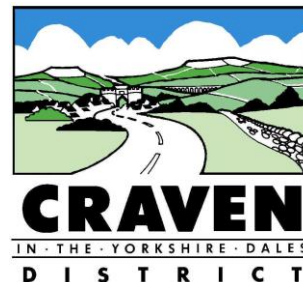
Source Report	Recommendation Name	Original Target Date	Service Area	Latest Update	Updated by	Date
C4 09 - Council Tax and Non-Domestic Rates 2013/14 - Priority 2 C5 12 - Council Tax & Non Domestic Rates 2014/15 - Priority 2	IA 16/17 134 Arrangements should be made for the regular testing of the BCP	C4 09 - Nov 2014 C5 12 - Dec 2015	ICT	A firm commitment has been made for annual testing of the BCP. A test was successfully completed in December 2016, and the 2017/18 test has been scheduled.	DRN	09/02/17
C6 02 - Transparency - Priority 2	IA 16/17 218 The following data should be published in line with the Transparency Code (Trade union facility time, Parking account, Parking spaces, Pay multiple, Fraud (until responsibility moves to the DWP later in 2015). In order to provide a full dataset, the location of data not held by the authority should be signposted.	C6 02 - Apr 2016	ICT	All information is now available. Minor adjustments to presentation are still required.	DRN	22/01/17
C6 02 - Transparency - Priority 2	IA 16/17 219 All data should be published once on the Government's data.gov.uk Open Data website. Links from the Craven District Council website to the Open Data web page should be created.	C6 02 - Apr 2016	ICT	The various links have been corrected.	DRN	22/01/17
C6 02 - Transparency - Priority 2	IA 16/17 220 The reference to Data North Yorkshire on the Council Open Data webpage should be removed	C6 02 - Jan 2016	ICT	The reference has now been removed.	DRN	22/01/17

Source Report	Recommendation Name	Original Target Date	Service Area	Latest Update	Updated by	Date
C6 01 - Building Control - Priority 2	IA 16/17 231 Decisions made on applications should be sample checked by Management and review evidenced	C6 01 - Jul 2016	Planning & Building Control	Spotchecks are being undertaken and planning support are initialing the spreadsheet in line with the recommendation. This has now been incorporated into normal operating procedures.	JB-N	27/02/17
C6 04 - Bereavement Services - Priority 3	IA 16/17 242 The requirement for the applicant to provide photographic ID at the point of collection of cremated remains should be publicised on the Council website and brochure. The format of the 'collection/disposal of cremated remains' form should be amended to record the details of the ID provided.	C6 04 - Jun 2016	Bereavement Services	A new procedure has being completed and sent to all staff For personal collection the Bacas system automatically produce a form that prompts staff o ask for identification and lists the acceptable confirmation documents. For funeral directors staff are required to ask for identification if they do not know the collector. The new Quarterly Newsletter to Funeral Directors includes information on the requirements for those collecting remains.	MB	18/01/17
C6 09 - Payment Card Industry : Data Security Standard (PCI:DSS) - Priority 2	IA 16/17 254 The signing in book should be used to record all visitors to the chapel office, including Council staff, and retained for at least 3 months	C6 09 - Mar 2016	Bereavement Services	The signing-in book is used by contractors and visitors and retained for at least three months. In addition, the visitors book has been amended to include a section for contractors to sign to confirm that they have read the Site Asbestos Survey.	MB	18/01/17
C6 08 - Physical Security of ICT Equipment and Data - Priority 1	IA 16/17 256 There should be appropriate arrangements put in place to ensure that the Belle Vue Square ground floor alarm is set in any absence of the Caretaker	C6 08 - Mar 2016	Property Services	The Council has a number of alarms from different suppliers across its property portfolio. The intention is to rationalise them. In the interim a meeting with the BVS alarm company has been arranged and an order placed to alarm the Registrars Zone whilst a practicable solution is sought to keep flexibility of access in other areas. PO issued for additional alarm for ground floor of BVS. New alarm as per above now installed and operational. New zones within the ground floor are now in place and sufficient staff are trained to set the alarms.	IH	05/01/17

## AGENDA ITEM 7a

Source Report	Recommendation Name	Original Target Date	Service Area	Latest Update	Updated by	Date
C6 08 - Physical Security of ICT Equipment and Data - Priority 1	IA 16/17 257 Cabinets containing personal data should be locked at night	C6 08 - Aug 2016	ICT	CLT have agreed that this should be implemented immediately and staff have been advised of this requirement. Compliance checks will be carried out.	DRN	22/01/17
C6 08 - Physical Security of ICT Equipment and Data - Priority 1	IA 16/17 259 Arrangements should be made to ensure that any data of a personal and/or sensitive nature held in the chapel office is stored securely	C6 08 - Aug 2016	Bereavement Services	VDU screens have been relocated so they cannot be seen by from the visitor area of the office. Two lockable storage cabinets have been purchased and all documentation is now securely stored.	MB	18/01/17
C6 08 - Physical Security of ICT Equipment and Data - Priority 2	IA 16/17 267 An independent inventory sample check should be carried out on a periodic basis	C6 08 - Aug 2016	ICT	A sample check was completed in October 2016 and is now scheduled to be undertaken annually .	DRN	13/02/17
C6 12 - Treasury Management- Priority 1	IA 16/17 282 Ensure that the TMP and the TMSS provide standards and guidance for the investment of Council funds and that both agree with one another / Ensure that all investments undertaken are in accordance with the financial institution criteria set out in the TMSS and the TMP	C6 12 - Apr 2016	Financial Management	TMP and TMSS corrected for the inconsistencies in April 2016. Completed	NC	13/01/17
C6 12 - Treasury Management- Priority 2	IA 16/17 283 The asset values listed on the CDC counterparty listing are updated at least annually / Any spot checks carried out on unrated institutions prior to taking an investment deal should be recorded and the results of the review retained	C6 12 - Apr 2016	Financial Management	The counterparty list has been updated and procedures put in place to ensure that any changes are recorded.	NC	14/02/17

**Audit and Governance Committee**  
**14<sup>th</sup> March 2017**



**INTERNAL AUDIT PLAN 2017/18**

Report of the Audit Services Manager – Shared Internal Audit Service

Ward(s) affected: All

**1. Purpose of Report**

1.1 The purpose of this report is to provide the proposed Internal Audit Plan for 2017/18 for consideration and approval.

**2. Recommendations**

2.1 That the Audit & Governance Committee considers and approves the Internal Audit Plan for 2017/18 as set out in this report and attached Appendices.

**3. Background Information**

3.1 The 2017/18 Internal Audit Plan is the third year of the new agreement for the Harrogate and Craven Shared Internal Audit Service. This contract will expire on 31<sup>st</sup> March 2018.

3.2 The draft Audit Plan for 2017/18 is attached at Appendix A and sets out the areas, functions or activities at Craven which are to be reviewed together with an estimated number of days for each. These days are not fixed and can be amended throughout the year if required.

**4. The Report**

4.1 Under the Public Sector Internal Audit Standards, the Chief Audit Executive must give an overall opinion on the adequacy and effectiveness of their authority's internal controls, risk management and governance arrangements. The 2017/18 Internal Audit Plan must therefore include a sufficient range of audit work for this opinion to be given at the year-end in the Annual Internal Audit Report.

4.2 As all of the key financial systems within the Council have either been awarded "significant" or "good" levels of assurance with regards to the internal control environment, the approach from now on will be to adopt a more risk based approach whereby other internal controls are assessed.

4.3 The draft Internal Audit Plan for 2017/18 is attached at Appendix A. The

number of days allocated to specifically provide the Audit Services Manager with the evidence for the opinion on the control environment is 240 (2016/17: 240 days), with an additional 10 days available for any ad hoc, consultancy or unforeseen work. This split is in line with the contractual terms of the Shared Internal Audit Agreement and payment is only requested for the additional 10 days if the S151 Officer agrees that they should be used.

4.4 The 2016/17 Plan included a 15 day audit on Planning fees. However as this section is about to implement a new system, which will change much of the risk and control environment, a decision has been taken to postpone this audit until 2017/18. The 15 days have been paid for and are therefore shown below the total days for next year.

4.5 The draft Internal Audit Plan has been developed in consultation with members of Craven District Council's Corporate Leadership Team (CLT) including the s151 Officer, and takes into account:

- Risks of the Authority
- Corporate Priorities
- Proposed audit areas identified by the Institute of Internal Auditors

4.6 Progress against the plan will be monitored throughout the year and key issues/findings will be reported to CLT and members of Audit & Governance Committee.

## **5. Implications**

### **5.1 Financial and Value for Money Implications**

The Council pays a daily fee to Harrogate Borough Council as its contribution towards the cost of the Shared Service which is hosted by Harrogate.

### **5.2 Legal implications**

### **5.3 Contribution to Council Priorities**

The delivery of an Internal Audit Service contributes to Council transformation.

### **5.4 Risk Management**

The Internal Audit function is an integral part of internal control

The major risks to the provision of the service to Craven include:-

- Insufficient resources and capacity – for example due to long-term sickness or vacant posts arising. If the situation arises, it will be addressed by the Internal Audit Shared Service Partnership Board,

reporting to the respective Audit Committee of the two Councils if necessary.

- The need for a major investigation which will mean that some planned work will have to be deferred or an increase in the days provided at an additional cost to Craven.

#### 5.5 **Equality Impact Assessment**

The Council's Equality Impact Assessment Procedure has been followed. An Equality Impact Assessment has not been completed on the proposals as completion of Stage 1- Initial Screening of the Procedure identified that the proposed policy, strategy, procedure or function does not have the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

#### 6. **Consultations with Others**

Corporate Leadership Team  
Strategic Manager – Financial Services (s151 Officer)

#### 7. **Access to Information : Background Documents**

None

#### 8. **Author of the Report**

Kim Betts, Audit Services Manager, Craven District Council and Harrogate Borough Council Shared Internal Audit Service

**Note:** Members are invited to contact the author in advance of the meeting with any detailed queries or questions. (Telephone 01423 500600 (ext 58587) or email [kim.betts@harrogate.gov.uk](mailto:kim.betts@harrogate.gov.uk)).

#### 9. **Appendices**

Appendix A – Internal Audit Plan 2017/18.

## APPENDIX A

## 2017/18 INTERNAL AUDIT PLAN

AUDIT	DAYS	COMMENTS
Trade Waste	15	To give assurance on the adequacy and effectiveness of the internal controls
Duplicate Payments work	1	To identify any duplicate payments made quarterly and annually. To report back any findings to the finance section in order that they can take steps to recover monies.
Risk Management Arrangements	15	To give assurance that risk management arrangements are in place and operating effectively
NNDR	15	To give assurance on the adequacy and effectiveness of the internal controls
Council Tax	15	To give assurance on the adequacy and effectiveness of the internal controls
Fraud work – to be agreed	30	To be confirmed. Will use results of NFI work to determine where this time will be directed to
New Planning System	10	To offer guidance on risks and controls during the implementation of the new planning system



<b>AUDIT</b>	<b>DAYS</b>	<b>COMMENTS</b>
Information Governance	15	A review of measures including document retention arrangements; security of sensitive data; policies for data security breaches including reporting procedures to the ICO.
Business Continuity & Disaster Recovery	15	An audit to assess whether suitable plans are in place to ensure the council can still operate in the event of a disaster.
ICT audit – to be agreed	15	To be agreed
Customer Complaints	15	Review of the process and an assessment as to whether this provides an indication that controls are not working effectively elsewhere.
Building Control	15	To give assurance on the adequacy and effectiveness of the internal controls.
Follow up of previous audit recommendations	5	Follow up of all outstanding audit recommendations
Management time/Committee Meetings etc	20	Includes preparation and monitoring of the Audit Plan, review of audit files and reports plus attendance at meetings.
Members Grants	10	Review of procedures in place for the processing of grants
Contingency	29	Pool of days that can be drawn down during the year if, for example, additional time is needed
<b>TOTAL</b>	<b>240</b>	

<b>B/fwd from 2016/17 Audit Plan</b>		
Planning Fees	15	To give assurance on the adequacy and effectiveness of the internal controls. Delayed from 2016/17 due to implementation of new system.